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SUBJECT: RUSSIAN PRIME MINISTER VISITS MONGOLIA

SUMMARY

1. (SBU) SUMMARY: Russian Prime Minister Vladimir Putin arrived in Ulaanbaatar on the afternoon of May 13 for a half-day of meetings with Mongolian government officials. In addition to Putin's hour-long private meeting with Mongolian Prime Minister S. Bayar, Mongolian and Russian officials held a series of separate consultations that resulted in agreements on railroad modernization, agriculture, and nuclear energy. Some Democratic Party (DP) members were concerned that Putin's visit - just a week and a half before Mongolia's presidential election - would boost President Enkhbayar's re-election bid, but the public reaction to Putin's visit was mild; neither significant excitement nor protest was observed.

PUTIN ARRIVES IN MONGOLIA; PMS MEET PRIVATELY

2. (SBU) Russian Prime Minister Vladimir Putin arrived in Ulaanbaatar on the afternoon of May 13 for a half-day of meetings with counterpart S. Bayar and other Mongolian government officials. An hour-long private meeting between Bayar and Putin was conducted in Russian without translators, unusual for high-level meetings (NOTE: Bayar, who studied in Russia and served as Ambassador to the country from 2001-2005, is fluent in Russian. END NOTE). In a joint press conference with Bayar afterward, Putin emphasized collaboration on issues including mining, military cooperation, railway expansion, education, nuclear technology and uranium. The two prime ministers agreed to expand cooperation along the Russian-Mongolian border and discussed cooperation in the agriculture sector; Russia also agreed to supply Mongolia with agricultural machinery as part of a previously-proposed \$300 million loan and to expand its import of Mongolian meat products.

3. (SBU) Putin also had a courtesy call with President Enkhbayar; during their public meeting, Enkhbayar presented Putin with the order of Erdeniin Ochir (Precious Thunderbolt), which is presented to foreign officials who pursue stronger ties with Mongolia and adhere to the principles of justice and democracy. Enkhbayar also met with Russian Railways Chief Vladimir Yakunin.

BILATERAL MEETINGS

4. (SBU) Putin, Bayar, and their ministers held a number of other meetings Wednesday afternoon, many of which resulted in bilateral agreements. Russian Railways Chief Vladimir Yakunin told reporters the joint projects agreed upon during the meetings were worth an

estimated seven billion dollars.

15. (SBU) Minister of Roads, Transportation, Construction, and Urban Development Kh. Battulga met with Russian railway officials in a closed meeting. Mongolian-owned Ulaanbaatar Railway received 1000 cargo train cars as part of a bilateral agreement signed by Vladimir Yakunin, head of the state-run Russian Railways Company and Kh. Battulga; the trains were purchased by Mongolian Trans Logistic from the Russian Railways Association at the discounted price of \$7 million. In a memorandum of understanding, Russia agreed to invest a total of \$250 million in railway modernization; in a separate agreement, representatives of the countries' state-run railway industries agreed to set up a joint venture intended to upgrade railway infrastructure. When a Mongolian journalist asked Yakunin about the rejection of the MCC railway grant, he said "We Russians have a saying that you only find free cheese in a mousetrap. Things that are free come with a higher price...I personally never get free presents."

16. (SBU) In Putin's meeting with Parliamentary Speaker D. Demberel, Demberel advocated continued cooperation at border checkpoints and requested that the Russian Government lower taxes on Mongolian imports. Putin stressed the importance of strengthening ties between Mongolia and Russia, including more interaction between the political parties of the two countries.

17. (SBU) Prime Minister Bayar and Russian Agriculture Minister Yelena Skrynnik exchanged views on bilateral cooperation in the agriculture sector. Skrynnik also met with T. Badamjunai, Mongolia's Minister of Food, Agriculture, and Light Industry; the two issued a joint statement renewing the 1992 cooperation agreement. A contact at the Ministry of Food, Agriculture, and Light Industry told us that the ministries also signed a memorandum of understanding clarifying the terms of the proposed \$300 million agricultural loan, including interest rates, implementation, and disbursement mechanisms, but the contact was unable to provide further details.

18. (SBU) Bayar told reporters that Mongolia hopes to speed up the creation of a joint venture in uranium mining and increase military cooperation with Russia, and Putin said the joint venture would be created within a few weeks. Russian Energy Minister Sergei Shmatko said separately that the two countries had agreed on the documents "in principle" and that "there are no issues."

19. (SBU) A memorandum of understanding was signed by Mongolia's Nuclear Energy Agency and Russia's Rosatom State Nuclear Energy Corporation; the two sides agreed to arrange for ten Mongolian students and five experts to study in Russia. Russia and Mongolia also inked other deals, including preliminary cooperation agreements between Aeroflot and Mongolian Airlines that will increase the number of flights between Mongolia and Russia and standardize ticket prices.

110. (SBU) After three and a half hours of meetings in the Government House, the two Prime Ministers walked out onto Sukhbaatar Square, where they spent a few minutes talking to journalists and examining Russian-made farm machinery that symbolized the agricultural agreements made between the two Prime Ministers. Putin then made stops at the local Russian Orthodox Church and a monument for Russian Marshal Zhukov before an official dinner hosted by Prime Minister Bayar at Ikh Tenger, the leadership complex outside Ulaanbaatar where the Prime Minister, President, and Speaker reside.

111. (SBU) Throughout the visit, Mongolian and Russian officials emphasized the importance of key anniversaries in Mongolian-Russian relations, including the 70th anniversary of the Battle of Khalkhin Gol in August, which provided a decisive victory against the Japanese on the Mongolian-Manchurian border.

LOCALS UNFAZED BY VISIT; DP QUESTIONS TIMING

112. (SBU) Aside from short road closures and blocked access to the north end of Sukhbaatar Square, life went on as usual in Ulaanbaatar during Putin's visit. Public reaction to Putin's visit was markedly

different from his previous visit to Mongolia in 2000, early in his tenure as Russia's president. His first visit, which focused on restoring friendly relations between Russia and Mongolia, was greeted with enthusiasm by Ulaanbaatar residents who came in large numbers to see the Russian president. Poloff observed about 1500 people on the south side of Sukhbaatar Square when the Prime Ministers exited the government building around 7:40 pm on May 13, but the onlookers were calm and did not cheer for Putin as they did nearly a decade ago. Several had cameras, but no flags or signs were observed.

¶13. (SBU) Many Democratic Party (DP) activists have questioned the timing of Putin's visit, which fell just eleven days before Mongolia's presidential election. DP campaign representatives said publically prior to the visit that they were concerned that Prime Minister Putin might try to assist President Enkhbayar in his re-election campaign, but the DP told us on May 13 that the DP had tried to prevent protests, since Russia is an important neighbor and the two Mongolian political parties share a common approach to foreign policy. A senior DP campaign official, however, told us he was annoyed with the fact that Putin praised Enkhbayar during the visit for strengthening Mongolia's foreign policy.

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